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TWO DOLLARS

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OUND RV RENTALS: A GROWING TREND 22

PRIMER FOR DEALERS 30

OF THE YEAR: DAN GAMEL 40

RV BUSINESS

OCT 23
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ers Small ce Hikes

A competitive atmosphere and a "practical mood" on the part of American consumers have kept RV price increases to a minimum—generally 3% or less—for the 1988 model year.

The RV-industry price trend parallels that of the auto sector: New car prices are rising by only 1% to 3%, truck prices by 3% to 5%.

This is despite the fact that RV makers have said that they are feeling an increasing price pressure from some of their suppliers—particularly purveyors of fiberglass, aluminum, steel, wood and petroleum-based products.

"We weren't seeing the (inflationary) spiral during the last couple of years," said Bill Garvey, vice president of sales and marketing for Starcraft Corp., a Topeka, Ind.-based towable maker that raised 1988 RV prices about 3%. "But I think things are heating up again."

With price hikes at a minimum, OEMS indicate that they are absorbing increased costs, often sacrificing some profits to remain on a competitive footing.

"The competition is tough," said Homer Schrock, sales manager for Woodland Park Inc., an Elkhart, Ind., park-model maker that has improved construction standards without raising prices for 1988. "It's real tough, and we have to trim some of the profit in order to stay competitive."

The trend toward limited model-year price increases appears particularly consistent among Class A motorhome producers, a rather strong sector in recent months.

A sample of individual manufacturers revealed the following price trends:

- Price hikes for Coachmen Industries Inc., Elkhart, Ind., "weren't dramatic in any product line," reported Sid Johnson, vice president of sales and marketing. A case in point is Viking Recreational Vehicles, a Coach-

continued on page 6

DODGER SHOW GUIDE: Floorplans, exhibitor listings, an overview of show events, and restaurant recommendations are provided to welcome attendees to RVIA's Annual RV Show at Dodger Stadium in the City of Angels. (See coverage beginning on page 61.)

NHTSA Seeks Coach Recall

Following an investigation of consumer complaints involving fuel-expulsion problems, the National Highway Traffic Safety Administration (NHTSA) has said it will ask Forest City, Iowa-based Winnebago Industries Inc. to implement a voluntary recall of motorhomes mounted on Chevrolet chassis.

NHTSA officials said they are evaluating additional information to determine if a similar action may be necessary for units manufactured by Fleetwood Enterprises Inc., Riverside, Calif.

A NHTSA official told *RV Business*, "We are aware that both Winnebago and Fleetwood have had problems with fuel expulsion on some of their units on Chevrolet chassis. As far as we know right now, however, only Winnebago is actively working with the people at General Motors (GM) to determine what can be done."

Frank Rotta, director of public relations for Winnebago, said he could not discuss any talks

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Exhibitors React to Restrictions On Louisville Show Space

New limitations on main-arena exhibit space at RVIA's National RV Trade Show, Dec. 1-4, in Louisville, Ky., have put a crimp in the convention plans of some longtime Louisville exhibitors.

The new rule, restricting exhibitors to six contiguous booths in the Kentucky Fair & Exposition Center's main arena, dates back to 1986, according to Mary Hutya, RVIA vice president of meetings and shows.

Hutya said a number of exhibitors complained to the show committee at that time that they weren't getting booth assignments in the popular main arena—a highly visible area near the registration desks.

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OCT. 23, 1987 TWO DOLLARS

RV BUSINESS

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Floorplans, exhibitor listings, restaurant recommendations, and a brief overview of events combine to help attendees enjoy the Annual RV Show at Dodger Stadium, Los Angeles.

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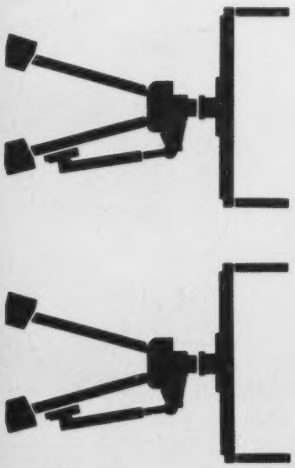

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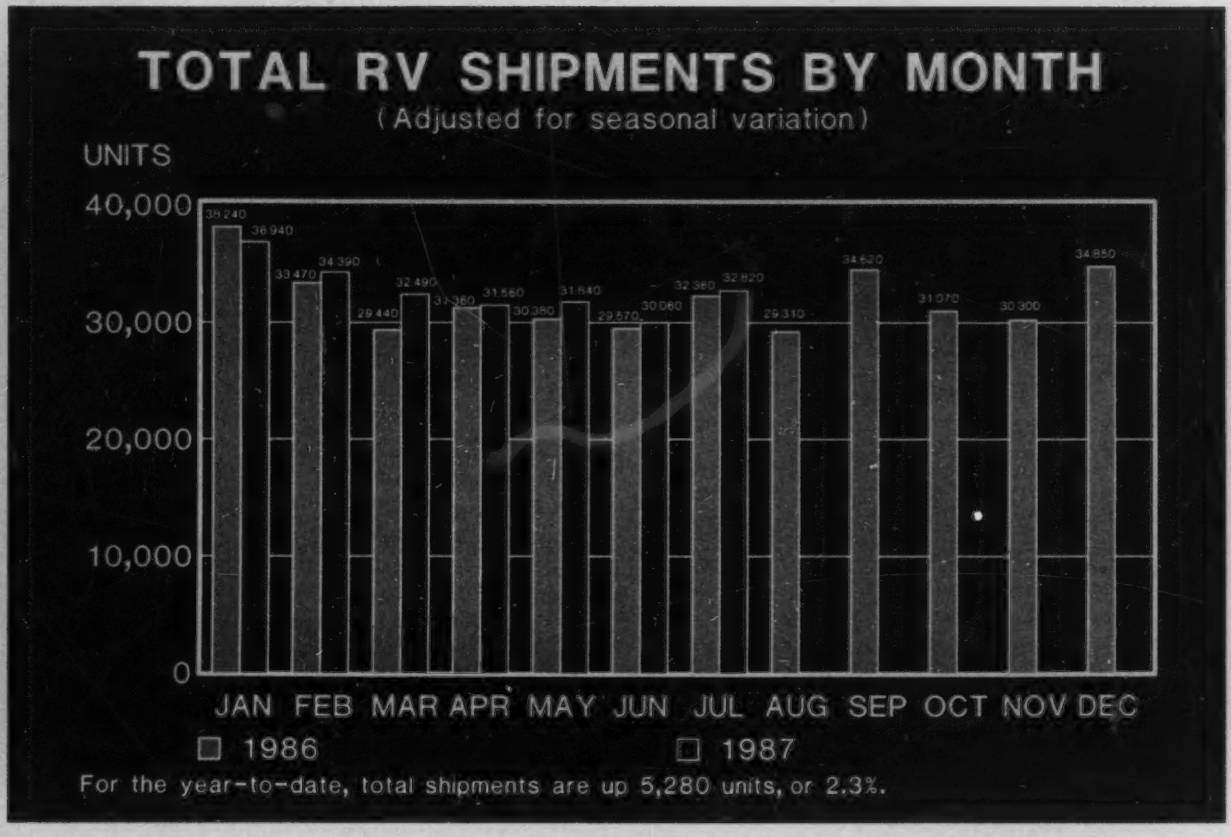
COVER PHOTO: KENNA LOVE

JULY SHIPMENT FIGURES SOUND SOME POSITIVE NOTES

MORTON J. MARCUS

FIGURE 1



Three positive trends are clear from the July RVIA shipment data:

- Shipments have climbed out of a 10-month pothole;
- A progressive trend has now extended more than six months; and
- Improvements were very widespread throughout the industry.

RV shipments in the month of July, when adjusted for normal seasonal variations, totaled 32,820 units. This was a healthy 9.2% increase from June's 30,060 units. The June level, as seen in Figure 1, was a 10-month low and 5.6% below May. In comparison, the July level of shipments ranks as the third best tally thus far this year.

The second positive element is also visible in Figure 1. Since February, each month of 1987 has been an improvement on the corresponding month of 1986. Thus, July was the sixth consecutive month of year-to-year improvement for the industry. In that six-month period, from February to July, total shipments have run nearly 6,600 units ahead of the same period of 1986, a gain of 3.5%.

The third favorable sign in the July shipments data was that every type of RV, with one exception, showed a gain over the June report. As seen in Figure 2, only truck campers had a decline from the preceding month. This widespread sign of strength reinforces the good indications of the overall gain. If the total number of shipments advances, yet with a spotty performance by RV types, then there is less reason for optimism than when we see a strong gain over a broad front.

The truck-camper decline in July was, in itself, not worrisome since that class of RV was running a strong 36.5% ahead of 1986 for the year-to-date. (See Figure 2.) In units, 1,500 more truck campers have been shipped in 1987 than a year earlier.

GRAPHICS: CUSTOM COLOR VISUALS

One element in the July figures that is less pleasing to report is the very flat nature of all data. Although we do see up and down movements, total shipments are varying within a very narrow range. Since March, we have seen an average monthly change in total shipments of only 1,440 units.

However, while on the surface the industry appears to be drifting, below that surface there is a greater change, which can be seen in the unit changes.

Units, not percentage points, were what people buy and what firms sell. In addition, month-to-month variations are not the key elements. The pattern of shipments that rise in one month and drop in another is often the result of life's vagaries rather than something of true significance. The picture over longer periods of time is what matters.

Hence, the real story of the current RV industry lies in the difference between the year-to-date shipments for 1987 and 1986, as reported in Figure 3.

First, note that total shipments were up by 5,280 units. And if we were to subtract van conversions, the industry would have been up by more than 10,600 units, or 9.5%, from a year ago.

Second, the biggest gain was that for Class A motorhomes, a high-dollar leader. The additional 3,520 Class A units shipped represented significant monetary flows into the accounts of manufacturers and their suppliers. Thus, the changes in market share, which are noted in Figure 4, were not just shifts within the industry; they also represented changes in the total dollar flow. As of July, those changes appear to be positive for the industry. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

FIGURE 2

R.V SHIPMENTS BY TYPE OF UNIT

(Adjusted for seasonal variation)

TYPE:	JULY 1987	PERCENT CHANGE FROM JUNE	YEAR-TO-DATE 1987	1986	PERCENT CHANGE
TOTAL RVs	32,820	9.2	230,090	224,810	2.3
Travel Trailers:					
Conventional	4,810	7.3	34,600	32,060	7.9
Park Models	660	77.0	3,710	4,490	-17.3
Fifth-wheels	2,220	11.2	14,830	13,140	12.9
Folding Camping Trailers	3,880	27.2	23,090	20,690	11.6
Truck Campers	640	-12.1	5,720	4,190	36.5
Motorhomes:					
Class A	3,760	17.8	22,050	18,530	19.0
Class B Van Campers	510	25.2	3,370	3,380	.0
Class C:					
-Minis	1,720	4.0	11,450	10,780	6.2
-Low Profile	120	19.9	1,260	2,040	-38.5
-Micro-minis	300	23.3	2,360	2,600	-9.1
Multi-use Van Conversions	14,180	2.1	107,670	112,990	-4.7

Detail may not add to total because of rounding.

FIGURE 3

YEAR-TO-DATE CHANGES IN UNITS SHIPPED

TYPE	GAINERS	LOSERS
TOTAL RVS	5,280	
Total Less Van Conversions	10,600	
Travel Trailers:		
Conventional	2,540	
Park Models		780
Fifth-wheels	1,690	
Folding Camping Trailers	2,400	
Truck Campers	1,530	
Motorhomes:		
Class A	3,520	
Class B		10
Class C		
Minis	670	
Low Profile		780
Micro-minis		240
Multi-use Van Conversions		5,320

FIGURE 4

MARKET SHARE BY TYPE OF UNIT

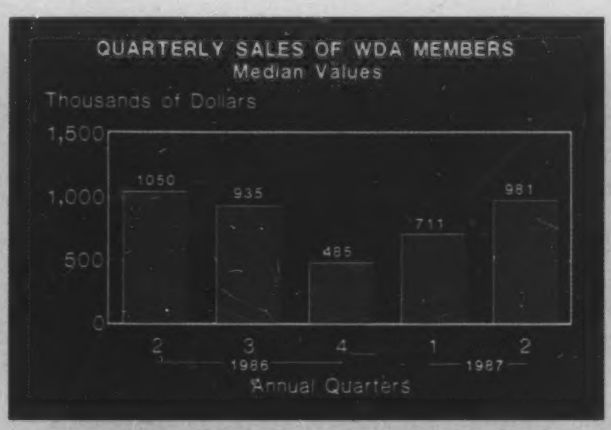
(Year-to-date, adjusted for seasonal variation)

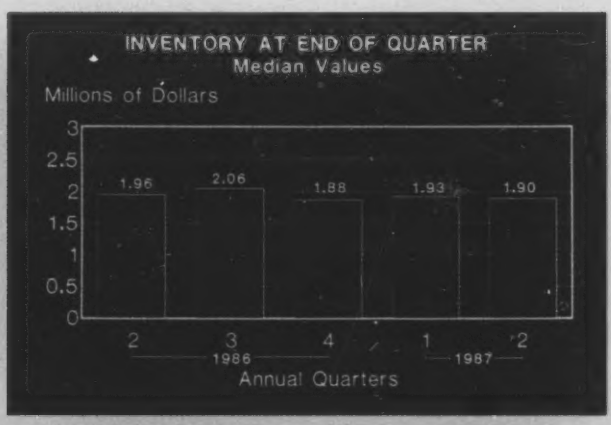
TYPE	1987	1986
TOTAL RVS	100.0	100.0
Travel Trailers:		
Conventional	15.0	14.3
Park Models	1.6	2.0
Fifth-wheels	6.4	5.8
Folding Camping Trailers	10.0	9.2
Truck Campers	2.5	1.9
Motorhomes:		
Class A	9.6	8.2
Class B Van Campers	1.5	1.5
Class C		
Minis	5.0	4.8
Low Profile	.5	.9
Micro-minis	1.0	1.2
Multi-use Van Conversions	46.8	50.3

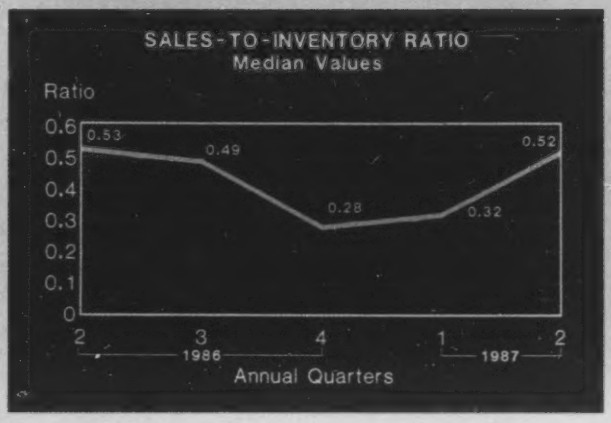
Detail may not add to total because of rounding.

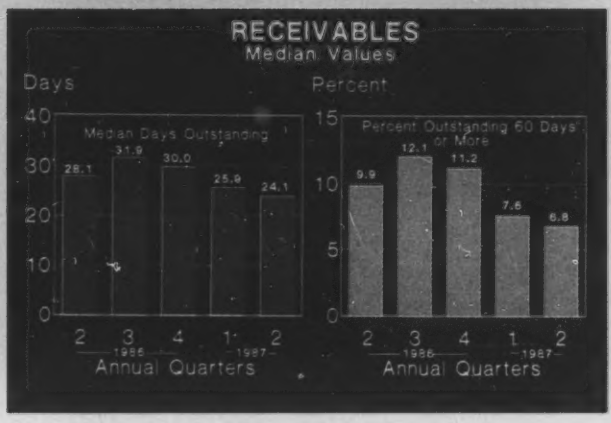
SECOND-QUARTER SALES IMPROVE

MORTON J. MARCUS









The quarterly statistical survey conducted by the Warehouse Distributors Association (WDA) has both voluntary and confidential participation. As a result, not all firms participate each quarter, and thus it is possible to get conflicting results. The second-quarter data provide an example of this particular problem.

The latest survey had returns from 37 members. The summary report indicates a moderate decline of 5.4% in average (mean) sales for the second quarter of this year compared with the same period in 1986. This sales figure for the April-through-June period was $1.58 million per firm, down from $1.67 million a year earlier. This year, 37 firms also reported a total sales of $58.6 million, compared with 39 firms reporting $65.3 million a year ago.

However, of the 37 member firms that participated in the second quarter, only 31 had also reported in the second quarter of 1986. Hence, in a comparison of the *same* firms, there was an *increase* of 8.9% in the median level of sales (or $1.1 million vs. $993,000 a year earlier) and an *increase* of 15.4% in the mean level of sales.

Did sales rise or fall? We have to conclude that they rose, and the differences are due to the fact that different firms were participating in each quarter.

The graphics shown with this article are for *all* participating firms. Detail of the firms that participated in both the 1986 and 1987 second quarter may be more illuminating, however.

U.S. firms participating in both periods (a total of 24 companies) had a lower gain in sales (5.5%) than the 13.2% recorded by their seven Canadian cousins. In each case, the figures were computed in the dollars of the nation involved.

For firms participating in both years, these higher sales were achieved on slightly higher inventories. The median inventory level reported at the end of the second quarter in 1987 was 6.2% higher than at the same time in 1986. But the 28 wholesalers who reported in both periods are turning their stock more rapidly. Thus, the sales-to-inventory ratios advanced for both U.S. and Canadian firms.

Receivables for the 27 firms reporting in both periods also improved in the second quarter for '87 compared with the same three-month period in '86. The average days receivable was down by nearly five, falling from 28 days to just over 22. Again, both U.S. and Canadian firms showed improvements. This advance normally indicates tighter managerial control.

The improvement in the receivables figure was particularly strong in the percent of receivables 60 days or more. Here the median value fell from 9.3% to just over 5.7%. Δ

GRAPHICS: CUSTOM COLOR VISUALS

Campground
RV
Rentals
ROBIN STRAUSBERG

As the popularity of on-site rentals at campgrounds increases, there are many spin-off benefits for dealers

For the family of five, it is the end of an idyllic weekend spent camping in an RV. They pack up the food, stash away the laundry and take their seats in the family sedan. As they pull away from the campground, the lake, picnic tables, playground and their RV slowly fade away.

Sounds like the family of five forgot to hook up the travel trailer for the journey home? No, the family recently joined thousands who don't own a recreational vehicle for a variety of reasons, but are nevertheless making their presence felt in RV campgrounds across the country by renting recreational vehicles on-site at campgrounds and resorts.

Rates for on-site RV rentals in privately owned campgrounds range from a modest $18 to a luxurious $120 a night (with the average at roughly $1 a foot). At those rates, campground owners stand to make a profit, while campers can save a half to two-thirds of the cost of staying at a hotel.

It All Adds Up

At last count, there were some 16,000 campgrounds/resorts strewn across the United States. About half that number are public, or governmentally administered, facilities. The remaining 8,000 campgrounds are privately owned, for-profit facilities. The majority fall into the category of "pay for the length of your stay" campgrounds, but these are supplemented by membership-only resorts, with their tennis courts, golf courses, Olympic-size swimming pools and costs in excess of $5,000 for a lifetime membership and yearly dues.

A recent nationwide survey of 8,600 commercial (nonmembership) parks revealed this regional distribution of campground/resort RV rentals:

REGION	PERCENT OFFERING RENTALS	AVERAGE NUMBER OF RENTALS
Northeast	34.5	6
North-central	27.0	3
South	25.3	10
West	13.0	8

Thus, in terms of statistics, it's safe to say that the concept of on-site RV rentals has caught on, and it's caught on because on-site RV rentals offer a cost-saving vacation alternative for families who choose to enjoy the camping lifestyle but either cannot yet afford their own RV or haven't yet decided what type of unit to purchase. In the past, such families may have gone with the option of renting an RV from a dealer or rental service. It's only been in the last four or five years that the on-site rental option has come to the fore.

"Someone wishing to use a trailer in Colorado, who is living on the East Coast, can fly to Denver, and rent a car, or even drive their own car from the Midwest, and then have an extra two to four days of vacation time at a very fine campground without towing the unit 800 miles to their final destination," explains John Willibrand, president of Play-Mor Trailers Inc., Westphalia, Mo., makers of on-site rental units for more than 12 years.

And the number of families interested in that rental option is growing. A recent Recreation Vehicle Industry Association (RVIA) survey netted a positive interest among a quarter of those polled, especially in the Northeast, to on-site rentals. Although the RVIA study found that such rentals had greater appeal among families earning less than $20,000 a year, resort owners report that their on-site renters are typically members of the upper-middle class and are up to 10 years younger than the traditional RV owner.

The rental units involved are generally park models, and they are offered by a host of manufacturers, including the Nappanee, Ind.-based Holiday House division of Holiday Rambler Corp.; Fleetwood Enterprises Inc., Riverside, Calif.; Park Homes Inc., Elkhart, Ind.; and Sunline Coach Co., Denver, Pa.—to name a few. These on-site units often have all-electric amenities, toilets directly linked into sewage systems and a more cabinlike or rustic appearance. Certain models even allow tenants to wile away the hours on a front porch.

Outfitted with porches or not, successful on-site RV rentals at campgrounds and resorts rest upon four considerations, according to campground/resort managers: the initial cost of the units; the length of the rental season; wear and tear on the units and whether maintenance costs are worth the return; and geographic location, whether or not the campsite is located near

Holiday Rambler Corp.'s Holiday House division recently introduced its Honeymoon Suite Park Trailer (left) for campground rentals. The interior (above) offers intimate decor with a heart-shaped whirlpool bath and oversized circular bed.

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ON-SITE RENTALS *continued*

a tourist center or, the next best thing, to a body of water.

RV Industry Benefits

Manufacturers and campground/resort owners can catalog a long list of reasons that on-site RV rentals are appealing to more and more consumers, such as:

- The rental unit is a means of housing six or more people in one place for an average of $35-$40 a night, with provisions for cooking all meals. Most, if not all, campgrounds also offer children a freedom of movement and a choice of activities that are not often available at alternative accommodations, such as hotels. There is a more homelike flexibility to the on-site rental, especially for families and large groups.
- No towing is required; hence there is no need for a tow vehicle or the extra expenditure on gasoline during a trip.

Many RVs designed for campground rentals sport a more rustic look.

- An on-site rental allows a prospective RV purchaser the opportunity to try out the lifestyle and test out different types of units before buying.
- RV owners can bring non-RV-owning friends along to campgrounds, where the nonowners can rent a unit on-site.

The consumer attractiveness of on-site rentals is clear from the success of the rental program at the private Fort Wilderness park adjacent to Walt Disney World, Lake Buena Vista, Fla., where 363 trailers are leased from Fleetwood Enterprises Inc. in a program that was initiated in 1976 to handle reservation overflows. But, more than 10 years later and with 60% repeat business, the rental program stands on its own merits and offers visitors custom mini-mobile homes, measuring 42 × 12 feet and featuring a full-size bathroom, bedroom and living room. The cost is $120 a night for a party of six. Included for that price (a cost savings compared with local hotel rates) are nearly all the amenities of a resort without the requirements of a membership park (although there is a maximum two-week stay). Fort Wilderness executives report a 100% occupancy rate from mid-February to August, and an 83% occupancy rate

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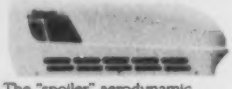

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American Heart Association

year-round.

But how do RV dealers benefit from the growing on-site rental trend? Doesn't every additional campground RV renter mean one less buyer or renter for dealers?

The key benefit, say industry observers, is that on-site rentals entice non-RVers to try out the RV lifestyle, with the result that many go on to become first-time buyers.

"Without a doubt," says Tom Allen, the National Campground Owners Association's director of membership services, "on-site rentals are a relatively new but expanding market that encourages first-time renters to be first-time buyers."

At Missouri's Treasure Lake resort, John Redford, chief executive officer of parent company Impact Management, puts it this way: "We have seen a trend (of the first-time RV buyer being a former first-time camper), and it's an exciting trend for us. It should be an exciting trend for manufacturers and dealers, too, because what it has done is get people interested in camping who never thought they would be."

Of course, on-site rentals can have a negative impact on dealer sales as well: "There's a ton of people interested in getting into the RV lifestyle but who find that buying an RV for $10,000 and messing around with trailer hitches and hookups is too confusing," proclaims Bob Gobrecht of Thousand Trails Inc., a "private national park system" with 46 resorts in 17 states and 92,000 members, 25,000 of whom do not own an RV.

"We make it real easy. They call a number, and they have a guaranteed place to go and a clean trailer. All they have to do is bring their food and linen, and they're in the American Dream," he says. The Seattle-based membership-campground firm's "dream" includes, among other things, fishing, swimming, volleyball, tennis, golf, boating, canoeing—and a choice of 1,500 on-site rentals nationwide.

Spin-offs for Dealers

Yet a brief overview of on-site rental operations makes it clear that there are many profitable spin-offs for dealers.

"There's a built-in incentive to buy an RV," asserts Ace Brown, vice president of Washington, D.C.-based Camp Coast to Coast (CCC), a system of 530 resorts nationwide serving 300,000 members, half of whom don't own an RV. "If they had their own RV, they'd pay nothing in their home resort, and only $1 a night in the system. If they don't own an RV, they have to pay rental fees wherever they go."

In the CCC system, on-site renters have a choice of 358 campsites, paying roughly

$1 a foot for the sites, which isn't that much considering that CCC's non-RV-owning members generate an average income of $34,000 a year.

Although on-site rentals for non-RV owners began in 1981, business didn't really pick up until 1983, according to Brown. Now, he says, "The future looks good. What we're doing is introducing a lot of people to the RV lifestyle, and a lot of them find it attractive and buy an RV."

Potential dealer benefits from rentals are also apparent at Cherrystone Kampgrounds of America (KOA), located in "a nowhere city" on the Chesapeake Bay in Virginia. The campground has been offering on-site rentals at the 300-acre, 650-site campground for 10 years now. The fleet has expanded to 22 Sunline trailers, and since the rental program has been so successful, there's talk of adding four more next year.

The on-site rental benefits to this KOA franchise are easy to see. "The big profit is to try and turn over your merchandise without taking too much of a loss on depreciation," explains Cherrystone Manager Buck Farmer, who admits that profit is based in large part on renting the trailers every week for a whole season. "I think I'll sell the '85 units for roughly $2,000 less than I bought them for," he calculates. "They will have been in service three seasons and have generated in the neighborhood of $3,000 a season. That's $9,000, or 50% more than I would have made on the same site if I had rented it out to somebody with their own trailer."

How can dealers profit, too? Farmer points out that his rental market not only includes campers who don't want to own RVs, but also campers who are trying out RVs with an eye to purchasing later. In fact, Farmer says he has a waiting list of people ready to purchase his older rental units, many of whom know from firsthand experience that the RV will fit their needs. Obviously, local dealers should be able to find RVs to fit their needs as well.

He has a waiting list of people ready to purchase older rental units.

Dealers in some regions who are involved in their own RV rentals might find that they can gain by working with campground on-site rental programs, too. For example, Bob Caldarone, director of marketing at Miami-based Cruise America, the RV rental arm of American Land Cruisers Inc., thinks he may have found a way to clear his rental yard during the off season by consigning five to 10 motorhomes to campground owners in Arizona and Southern California for use as additional housing for visiting "snowbirds." He then retrieves the units at the end of the winter months to rent for summer vacation trips.

"I'm not looking to make a killing in the market," says Caldarone, whose temporary additional housing for campgrounds will have the advantage of being able to depart the parks for side trips, but he is counting on the bright prospects for on-site RV rentals to help his program succeed. "Along with the increasing popularity of RV resorts and vacations, with 25% of the population taking camping vacations, it's got to grow," he says.

Dealers operating near campsites and resorts offering RV rentals will doubtlessly think of other ways to cash in on this growing trend. Yet, more important, the dealer body as a whole will reap benefits from the on-site rental alternative as it stimulates interest in the RV lifestyle among the first-time camper and, thus, lays the foundation for a new generation of first-time buyers. Δ

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